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PRC STATE COUNCIL BULLETIN,

No 5, 1 March 1985

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17 January 1986

CHINA REPORT

POLITICAL, SOCIOLOGICAL AND MILITARY AFFAIRS

PRC STATE COUNCIL BULLETIN, No 5, 1 MARCH 1985

Beijing ZHONGHUA RENMIN GONGHEGUO GUOWUYUAN GONGBAO [PRC STATE COUNCIL BULLETIN] in Chinese No 5, 1 March 1985

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PROVISIONAL RULES ON URBAN MAINTENANCE, CONSTRUCTION TAX ISSUED

Beijing STATE COUNCIL BULLETIN in Chinese No 5, 1 Mar 85 p 99

[Provisional Regulations on the Urban Maintenance and Construction Tax of the PRC; Promulgated by the State Council, 8 February 1985]

(Guofa [0948 4099] (1985) No 19)

[Text] Article 1. These regulations are specially formulated for the purposes of strengthening the maintenance and construction of urban facilities and expanding and stabilizing the sources of funds for urban maintenance and construction.

Article 2. All units and individuals, hereinafter called the taxpayer, paying the product tax, appreciation tax and business tax are responsible for paying the urban maintenance and construction tax and shall pay the urban maintenance and construction tax in accordance with the provisions of these articles.

Article 3. The urban maintenance and construction tax shall be levied on the basis of the amounts of the product tax, appreciation tax and business tax and shall be collected separately from and at the same time as the product tax, appreciation tax and business tax.

Article 4. The rates of the urban maintenance and construction tax shall be as follows:

if the taxpayer's residence is in the city proper, the tax rate shall be seven percent;

if the taxpayer's residence is in a county seat or town, the tax rate shall be five percent; and

if the taxpayer's residence is neither in the city proper nor in a county seat nor in a town, the tax rate shall be one percent.

Article 5. The collection, control, payment procedure, and fines and awards pertaining to the urban maintenance and construction tax shall be dealt with according to the regulations of the product tax, appreciation tax and business tax.

Article 6. It shall be ensured that the urban maintenance and construction tax be used for the maintenance and construction of municipal and city public facilities and other urban needs. The specific arrangements shall be determined by the local people's governments.

Article 7. The taxes collected under Item 3 of Article 4 of these regulations shall be used only for maintenance and construction work in villages and towns.

Article 8. After collection of the urban and maintenance and construction tax, no district or department shall attempt to collect funds or material from the taxpayer again, and the taxpayer shall have the right to refuse payment if such an attempt is made.

Article 9. People's governments of provinces, autonomous regions and municipalities may, on the basis of these regulations, formulate detailed rules for the implementation of these regulations and submit the same to the Ministry of Finance to be put in the records.

Article 10. These regulations take effect beginning in 1985.

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CIRCULAR ON CONTROL OF PURCHASING POWER OF SOCIAL GROUPS

Beijing STATE COUNCIL BULLETIN in Chinese No 5, 1 Mar 85 pp 100-101

[State Council Emergency Circular on Strictly Controlling the Purchasing Power of Social Groups; 7 February 1985]

(Guofa (1985) No 16)

[Text] Since last winter and this spring certain offices, organizations, enterprises and institutions have competed with each other in buying large quantities of high-grade consumer goods such as color television sets, refrigerators, washing machines, wool fabrics and woolen goods, causing a sharp rise in the purchasing power of social groups. This not only has increased spending and impeded the withdrawal of currency from circulation but has also created a shortage in the market. Many among the public have been unable to buy urgently needed commodities because of the competition among social groups to purchase them, and they have great discontent in and reacted strongly with many complaints. If this situation is allowed to continue, it will have an adverse effect on the stability of commodity prices in the market, the smooth progress of economic reform, and the relations between ourselves and the general public. Accordingly, it is necessary for leadership at various levels to pay close attention to the matter and to adopt firm measures to bring about a turnaround so as to strengthen and develop a good situation. Hence, the following regulations have been created to control purchasing power of social groups:

1. Firmly curtail purchasing power of social groups. In accordance with current conditions of market supply and demand and based on the spirit of reducing financial expenses and increasing the withdrawal of currency from circulation, this year each region and department must further strengthen control over and management of the purchasing power of social groups, greatly reduce the amount of purchasing power of social groups, and demand that purchasing power be reduced by about 20 percent of last year's. Commodities under the control of the state generally shall no longer be purchased except by newly established units and to meet certain special needs.

2. Redefine the scope of controlled commodities.

Originally there were 31 commodities whose purchase by social groups was controlled by the state. This was subsequently reduced to 14 but henceforth there shall be 17, namely, small motor vehicles, large sedans, motorcycles,

color television sets, refrigerators, washing machines, sofas, carpets, sofa beds, air conditioners, recorders, videorecorders, cameras, large and high-class musical instruments, furniture, wool fabrics and woolen goods, and pure woolen blankets. Without the permission of organs authorized to sanction purchases, no unit shall be allowed to purchase the above-mentioned commodities from the market, or to entrust factories to manufacture them, or to provide funds, in a disguised form, to individuals to purchase them.

3. Adequately centralize the power of examining and approving controlled commodities. Under certain circumstances, if various organs, bodies, enterprises and business units find it necessary to purchase the above-mentioned commodities, and if they are units subordinate to the central government, request for approval shall have to be made to, and approval obtained from, the Ministry of Finance and the national office in charge of controlling purchasing power of social groups. Where units are subordinate to localities (including units stationed in localities by the central government), submission shall have to be made to, and approval obtained from, the people's government of the province, autonomous region or directly subordinate municipality. The procedure which units below the county level (not including the county itself) should follow shall be determined by the people's government of the province, autonomous region or directly subordinate municipality concerned in accordance with the above-mentioned spirit of strict control.

4. Tighten the supervision and control of the purchasing power of social groups. Supervisory and auditing departments at various levels of finance, financial affairs, banking, commerce and transportation shall strengthen supervisory and control over the purchasing power of social groups. Controlled commodities whose purchase has not been duly sanctioned shall not be sold by commercial and commodity departments and production units, finance and financial affairs departments shall not accept their submission as an expense account, banks shall not make relevant payments, and, in the case of vehicles, transportation supervisory departments shall not issue license plates. To perform satisfactorily in this connection, auditing departments shall strengthen supervisory and inspection roles. Organs at various levels in charge of controlling purchasing power of social groups shall keep themselves in sound shape and reinforce their work.

5. Strengthen leadership and strictly enforce discipline. Regions and departments shall earnestly carry out a review of the conditions of last year's overly-sharp increase in purchasing power of social groups, sum up the experiences and lessons gained, and formulate effective measures of control and management. Simultaneously, it is necessary to educate cadres on the correct understanding and handling the control of purchasing power of social groups, teaching them to give first importance to the situation as a whole and to consciously abide by the relevant regulations of the state. In the event that certain units disregard the state's regulations, knowingly violating them, and purchase controlled commodities at will or without approval, they shall be subject to prosecution for violation of financial and economic discipline, their leadership shall be held responsible, and the commodities purchased shall be confiscated.

6. These regulations shall be in force upon the arrival of this circular. All past regulations of the State Council and other relevant departments which are contradictory to these regulations shall be replaced by these regulations.

Measures of control of the purchasing power of social groups by the military services shall be formulated by the General Logistics Department of the PLA in the spirit of these regulations.

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COMMISSION REPORT ON TECHNICAL MODERNIZATION

Beijing STATE COUNCIL BULLETIN in Chinese 1 Mar 85 pp 102-104

[State Economic Commission Report on Technical Modernization (31 December 1984)]

[Text] In keeping with the State Council's guiding spirit of "simplifying procedure and delegating power" and following repeated studies, discussions and revisions by the Second National Conference on the Technical Modernization of Enterprises, we submit herewith for examination and approval our views on the limits of authority in examination and approval of technical transformation projects which have been delegated to lower levels, on projects transferring technology for the technical transformation of existing enterprises and projects on technological development and our views on reforming the method of assessment of superior quality products and methods of examining and approving the importation of machines and equipment, i.e., views contained in the "Some Provisional Regulations Governing Technical Modernization."

In current management of technical modernization, there is an urgent need to delegate power on the micro-side of policymaking and to strengthen control on the macro-side. Reported below are the major points of the contents of the reform.

I. Concerning the Limits of Authority in Examining and Approving Delegated Technical Transformation Projects, Technology Transfer Projects for the Technical Transformation of Existing Enterprises and Projects and Plans for Technological Development

A. Raising the Investment Limits for Technical Transformation Projects

According to the "Some Provisional Regulations on Improving the Planning Structure" formulated by the State Planning Commission and approved for promulgation by the State Council ("Some Provisional Regulations for Improving the Planning Structure," carried in Issue No 25 of this BULLETIN, 1984), the maximum limit on gross investments in technical transformation projects has been increased from 10 million yuan to 30 million yuan. For technical transformation projects exceeding this amount, planning-task reports, recommendation reports on the projects requiring technology transfer and project feasibility studies shall be jointly examined and approved by both the State Planning Commission and the State Economic Commission.

B. Refund of Depreciation Funds Delivered by Enterprises to the Central Government

Beginning from 1985, enterprises shall retain 70 percent of the depreciation funds set aside by enterprises, while the state shall no longer keep the remaining 30 percent but shall refund it to departments or regions concerned according to the subordinate relationship of the enterprises concerned. For the 14 coastal cities open to the outside and cities listed in the plan approved by the State Council, the refund shall be made directly to the cities concerned.

C. Delegating the Authority to Examine and Approve Special Loan Projects for Renovation and Transformation

Departments and regions shall be empowered, within the limits of recommended amounts of special loans apportioned by the state and in accordance with the subordinate relationship of the enterprises, to examine, approve and notify lower levels of the annual guidance plans for projects. Local banks shall have the authority to make adjustments based on economic results in loans to projects within the total amount allocated by higher-level banks for technical transformation projects.

D. Delegating Power to Examine and Approve Projects Requiring the Transfer of Technology for Technical Transformation of Existing Enterprises

Departments and regions shall be authorized, within the limits of the State Economic Commission's allocations from the amount of foreign exchange holdings and foreign exchange available for use, to organize the examination and approval of recommendation reports and project feasibility reports on each technical transformation project requiring the transfer of technology and the use of foreign exchange not exceeding \$5 million. They shall also be empowered to make necessary adjustments on projects depending on the total amount of foreign exchange available for use.

E. Delegating the Authority to Examine and Approve Technological Development Projects

Of the technical modernization fund controlled by the State Economic Commission, two-thirds shall be assigned to departments in charge which shall arrange for major technological development projects of the state and report to the State Economic Commission for the issuance of plans to lower levels; the remaining one-third shall be assigned to various regions, which, guided by industry and trade regulations, shall by themselves arrange major projects and plans for their localities and submit them to the State Economic Commission for reference.

II. Strengthening Macroeconomic Control

After the power of microeconomic policymaking in technical transformation has been delegated, it is necessary to have macrocontrol and guidance strengthened.

A. Compiling the 3-Year Execution Plan

The State Planning Commission is currently organizing the compilation of the Seventh 5-Year Plan. To facilitate compilation and enforcement, the State Economic Commission has organized various departments and organs to compile the 1985-1987 3-year execution plan on technical transformation, technical transformation of existing enterprises by transfer of foreign technology, technical modernization and production of superior quality products. By compiling the Seventh 5-Year Plan and the 3-year execution plan, it will be possible to clarify the direction and emphasis of technical modernization and determine a number of major projects for technical transformation, technology transfer and technological development.

B. Strengthening Management of Industries and Trades

Compiling the Seventh 5-Year Plan and the 3-year execution plan is an important method of strengthening the management of industries and trades. In regions organizing the examination and approval of technical transformation projects and projects for the transfer of foreign technology to transform existing enterprises and when regions examine and approve the planning-task reports and recommendation reports on each project involving a gross investment of 5 million to 30 million yuan, these regions shall request comments from relevant departments then report to these departments for reference. If the departments concerned find that the projects do not conform with industry and trade regulations or with the demands of technology policies, they may, within one month, make known their views of disagreement and ask for a restudy, a delay in enforcement, or both. If there is no disagreement, regions may proceed to enforce the projects. Unsettled disputes between two parties or a few departments shall be arbitrated by the State Economic Commission.

C. Maintaining Definite Economic Tactics

Following a refund of depreciation funds and the second stage of the measure of changing the delivery of profits to payment of taxes, renovation and transformation of existing enterprises depend mainly on the enterprises' own funds and bank loans. On the one hand, it is necessary to enhance the role of banks and improve the benefits of bank loans; on the other, the state should also adequately maintain definite economic measures to support technical modernization.

At present, the fixed depreciation rate is generally somewhat low. In addition, some depreciation funds have been used for other purposes, adversely affecting renovation and transformation of enterprises. This phenomenon must be rectified and, at the same time, the state should increase the amount of loan funds for technical transformation to support transformation of existing enterprises, thereby promoting technical modernization.

It is planned to continue interest-discounted loans this year on an experimental basis so as to provide support to those enterprises which provide fairly good socioeconomic results but because of irrational pricing and other reasons do not gain much and have difficulties repaying loans for certain projects.

D. Taking Advantage of Economic Leverages

It is necessary to further study the policy of taking advantages of such economic leverages as price, taxation and interest rates to promote technical modernization.

We have been working with various departments and regions, organizing forces to carry out investigation and research and to formulate the "Provisional Regulations Concerning Policies on Technical Modernization of State-Run Enterprises." These regulations will be submitted to the State Council for examination and approval.

E. Strengthening Work on Information, Forecasting and Inquiries

We plan, following consultation with relevant units, to establish and perfect a system for interchange of economic and technological data; we also plan to organize departments and regions to strengthen economic forecasting and to perfect a system of inquiry services, so as to provide impartial, scientific and objective inquiry services to policymaking units; we propose giving legal status to qualified inquiry service companies and clearly designating that all projects involving technical transformation and technology transfer must first go through various stages of inquiry and revision before submission for final examination and approval.

It is requested that if the above provisions are in order they be approved and forwarded to the various departments and regions for enforcement.

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PROVISIONAL RULES ON WORK OF PROMOTING TECHNOLOGICAL PROGRESS

Beijing STATE COUNCIL BULLETIN in Chinese No 5, 1 Mar 85 pp 104-109

[State Economic Commission Provisional Regulations Governing Technical Modernization (31 December 1984)]

[Text] I. Examination and Approval of Technical Transformation Plans and Projects

A. Raising the Investment Limit of Technical Transformation Projects

According to the State Planning Commission's "Some Provisional Regulations on Improving the Planning Structure" approved and forwarded by the State Council, the maximum gross investment on a technical transformation project is raised to 30 million yuan; for the national nonferrous metal corporation and the national petrochemical corporation, regulations approved by the State Council shall apply. Planning reports on technical transformation projects exceeding this figure shall be first examined by authorized departments. Preliminary comments shall then be submitted to the State Planning Commission and the State Economic Commission, which shall in turn proceed with their examination and approval. The annual plans of projects exceeding the maximum gross investment amount shall be included in the State Plan and forwarded to lower levels.

Planning task reports on technical transformation projects under the maximum shall be examined by departments and regions themselves according to subordinate relationships of the enterprises concerned. Each project requiring an investment of between 5 million and 30 million yuan shall be reported to the department in charge for reference. Relevant departments may, within one month, request a review or a postponement of the projects or both. Amendments of annual plans of measures and projects from departments and regions, shall be reported to the State Economic Commission and the State Planning Commission for reference; regional plans shall be reported to departments in charge for reference.

B. Refunding Depreciation Funds Collected From Enterprises

Beginning from 1985, enterprises shall retain 70 percent of their depreciation funds and the state shall no longer collect the remaining 30 percent but shall have it refunded to the departments and regions according to subordinate relationships of the enterprises, that is to say, directly subordinate

enterprises shall have refunds made to departments in charge (or national companies) while local enterprises shall have refunds made to the province, autonomous region or directly subordinate municipality; in the case of the 14 coastal cities open to the outside and the cities with individually-listed strategies in the plan approved by the State Council, refunds shall be made directly to these cities. The National Defense Science and Industry Commission shall study and determine how refunds shall be made by the departments of aeronautics, ordinance, astronautics and nuclear energy. The remaining 30 percent refunded to departments, regions and cities open to the outside and cities with individually-listed strategies in the plan shall be pooled and distributed as seen fit by regions and departments in charge, and shall be exempted from the sinking fund levy for major energy and communications construction projects. Materials required for projects shall be supplied to relevant departments and regions by commodities departments according to base figures for 1984. After depreciation funds have been refunded, departments and regions involved shall make preferential arrangements for past uncompleted projects within the amounts refunded, particularly the first large group of 550 major projects arranged by the state in the machine-building and electronics industries, so that these projects may make the most of their results as soon as possible.

C. Limitation of Authority Delegated for Examination and Approval of Itemized Loans for Special Renovation and Transformation Projects

Departments and regions shall have the authority to issue project plans of a guidance nature within the limits of their authority to examine and approve such projects, and within the recommended amounts of state-allocated special loan funds. Enterprises may apply for loans required from local banks. Upon examination and approval of the loans, banks shall make arrangements for the release of loan funds. Loans for projects which conserve energy shall be listed separately and reported to the State Economic Commission and departments in charge for reference.

D. Initiate Interest-Discounted Loans (Including Interest-Discounted Loans in Foreign Exchange) for Technical Transformation, Technical Modernization and Technology Transfers to Transform Existing Enterprises

Quotas for interest-discounted loans shall be incorporated by the Ministry of Finance into central government fiscal budget expenditures and shall be allocated by the State Economic Commission to various departments and regions. As for allocations to departments, the departments in charge shall discuss plans for interest-discounted loans submitted by localities, report to the State Economic Commission, Ministry of Finance and specialized banks and jointly make known decisions on allocations to lower levels; for allocations to regions, the economic committees of provinces and autonomous regions, together with branch offices of specialized banks and finance departments (bureaus), shall arrange project plans for interest-discounted loans for notification to lower levels. At the end of the year, the State Economic Commission and specialized

banks shall coordinate the accounting of actual amounts of discounted interest derived from interest-discounted loans. Project plans on foreign exchange interest-discounted loans for technology transfers shall be jointly determined by local economic committees and branch offices of specialized banks and reported to the head office of specialized banks and the State Economic Commission which shall jointly issue orders to lower levels.

II. Examination and Approval of Technology Transfer Plans and Projects on Technical Transformation

A. Examination and Approval of Above-Limit Technology Transfer Projects for Technical Transformation Which Use State or Self-Owned Foreign Exchange

For technology transfer projects for technical transformation using state- and self-owned foreign exchange, recommendation reports and project feasibility reports with investment limits of \$5 million and above shall be submitted to the State Planning Commission and the State Economic Commission for examination and approval. Annual plans shall be incorporated into the State Plan for notification to the lower levels.

B. Examination and Approval of Below-Limit Projects for Technical Transformation Requiring Technology Transfers and the Use of the State's Foreign Exchange

Fixed amounts of state foreign exchange (including amounts from completed transactions and from amounts actually used during the year) shall be arranged for provinces, autonomous regions, directly subordinate municipalities, the 14 coastal ports open to the outside, and cities with individually-listed strategies as approved by the State Council. These arrangements shall be made by the State Economic Commission in relation to the total amounts of foreign exchange determined by the State Plan and controlled by the State Economic Commission for technology transfers for the transformation of existing enterprises.

In arranging the amounts of state foreign exchange for departments in charge, the departments concerned shall themselves examine and approve recommendation and feasibility reports for below-limit projects requiring technology transfers for technical transformation (including those for directly subordinate enterprises and local enterprises); in arranging amounts of state foreign exchange allocated to local control in terms of below-limit projects, the local economic and planning committees shall examine and approve recommendation feasibility reports. Recommendation reports on projects requiring a total investment of between 5 million and 30 million yuan shall be reported to the State Economic Commission, State Planning Commission and departments in charge in industry and trade for reference. The departments concerned may, within one month, present requests for reconsideration and postponement of projects, and if no objections are made, may start work at once on opening to the outside and signing agreements.

Annual plans for technology transfer projects for technical transformation of enterprises shall be compiled for dispatch to lower levels by departments and regions within the amount of foreign exchange arranged by the State Economic Commission. Copies shall be forwarded to the State Planning Commission and the State Economic Commission, and copies of plans for localities shall at the same time be made and forwarded to the departments in charge for reference.

C. Examination and Approval of Below-Limit Projects for Technical Transformation Requiring Technology Transfers and the Use of Self-Owned Foreign Exchange

Any project with an investment limit below \$5 million shall be subject to examination and approval of departments or regions themselves based on subordinate relationships of enterprises concerned. To avoid unnecessary duplications and economic losses, regions shall seek opinions from departments in charge as recommendation reports are examined and approved in cases where the total investment in projects is between 5 million and 30 million yuan, and report to the State Economic Commission and departments in charge for reference. Departments concerned shall, within one month, request either reconsideration or postponement of the projects.

D. Examination and Approval of the Use of Foreign Capital for the Technology Transfers for the Technical Transformation of Existing Enterprises

The "Some Provisional Regulations on Improving the Planning Structure" compiled by the State Planning Commission and approved and forwarded by the State Council shall apply.

III. Examination and Approval of Technological Development Projects and Treatment of Key Projects in Science and Technology

A. Limit of Authority to Examine and Approve Technical Modernization Projects Delegated to Lower Levels

Of the technical modernization funds controlled by the State Economic Commission, two-thirds shall be released to departments in charge of industry and trade, to use principally for the nation's major technical modernization projects; one-third shall be released to the provinces, autonomous regions and directly subordinate municipalities, principally for locally-determined major technical modernization projects. As for the 3-year execution plan for major state projects, departments in charge shall organize supporting arguments, summary of topics discussed and a complete list of contracts to submit to the State Economic Commission; after a summarization, the State Economic Commission shall send them all at once to the lower levels, giving departments a basis for completing contract procedures. Copies of contracts shall be submitted to the State Economic Commission for reference.

The annual plans for expenditure appropriations shall be based on contracts and coordinated and forwarded to departments in charge according to specific projects. Departments in charge may, within the total amount of funds allocated, distribute allocated funds among projects as seen fit and divide up allocations to send to lower units handling projects.

In the case of major technical modernization projects determined by the regions themselves, regions may, within the amount of technical modernization funds ratified by the State Economic Commission and under the guidance of trade and industry regulations, organize, compile and examine their own plans. However,

they shall first seek the views of involved departments in charge in industry and trade, and carry out administrative regulations concerning contracts at units in charge of handling projects. Copies of project plans issued by regions to the lower levels units shall be sent to the State Economic Commission and departments in charge for reference.

B. Improving the Management of Key Science and Technology Projects

For key projects in science and technology over which the State Economic Commission has control, enterprises may conduct experiments in "contracting for funds, keeping surplus funds, and awarding on a percentage basis" based on contracts signed for key projects. Experimental projects shall be determined by departments in charge. In the projects where these experiments are not conducted, departments in charge shall be permitted to strike suitable balances between the amounts of funds stated in contracts and the contents of experiments without changing the aims of contracts signed for key projects, and will report to the State Planning Commission and the State Economic Commission for reference. Departments in charge shall be responsible for checking and accepting results; emphasis shall be placed on practical results.

IV. Examining and Approving Imported Machinery and Equipment

A. Delegating Power of Examining and Approving Imported Equipment Purchased With Foreign Capital and in Connection With Technology Transfer Projects

For projects involving the utilization of foreign capital and the transfer of technology which are examined and approved by the provinces, autonomous regions and directly subordinate municipalities (including cities with individually listed strategies in plans approved by the State Council; termed below as various localities) and by departments of the State Council, the machines and equipment which are required by projects themselves for importation, including items whose import is restricted by the state, shall be subject to examinations organized by special organs designated by various localities and departments and to examination and approval by various localities and departments themselves. Copies of the details and specifications shall be sent to the State Economic Commission and the relevant departments in the State Council in charge of manufacturing for reference.

B. Liberalizing Power Over Examining and Approving Some Products Restricted by the State From Importation

Various localities and departments shall be empowered to carry out their own examinations and approvals of 6 of the 17 kinds of products restricted from import by the state, including computers and calculating machines, duplicating equipment for recorder and videorecorder tapes, recorder mechanisms, bicycles, radio sets and electric fans, but shall report to the State Economic Commission and the State Council departments in charge of manufacturing for reference.

The importation of products restricted from import by the state, which must be examined and approved by the State Economic Commission, shall be carried out by centralizing submissions for approval: various localities and departments shall, in accordance with the subordinate relationship of the units requiring products, prepare a unified examination and report to the State Economic Commission for approval; following this, they shall directly approach designated organs to have the specific import documents signed. In principle, this system shall be implemented once per year, but if necessary, an additional submission for approval may be made. If in the various localities there actually exists an urgent, temporary need in engineering, production, scientific research or academic instruction for the importation of a small number of automobiles and minicomputers (restricted for use by the importing units; in the case of motor vehicles, imports shall not exceed 10 units each time and shall not exceed a cumulative total of 100 units for the whole year), the economic committees in these localities shall be empowered to examine and approve their own applications. Copies shall be sent to the State Economic Commission for reference.

C. Reforming the Method of Examining and Approving Single Units of Ordinary Machinery and Electrical Instruments

Existing regulations regarding the importation of single units of ordinary machinery and electrical appliances specify that the State Supplies Bureau shall examine and approve applications for the importation of single units valued at \$50,000 or more each or a batch or lot at a gross value of \$500,000 (in the case instruments meters, medical instruments, and primary parts of electronic products, valued at \$20,000 or more per set or unit or \$200,000 or more per batch or lot). This regulation shall be changed into organizing tenders at first domestically. Only when a solution cannot be found domestically, can various localities and departments arrange for importation from abroad. Concrete measures for tenders shall be separately fixed. Prior to the enforcement of the changed regulation, the existing regulations shall apply.

D. Implementing Guidelines for Integrating Technology and Trade

Regarding those products whose integration of technology and trade the state requires be uniformly organized, the technology-trade leadership unit (office of the leadership unit to be located in the State Economic Commission) shall organize relevant departments to make the necessary unified arrangements. Units importing commodities or introducing foreign technology and the relevant localities and departments shall not each go their separate ways.

The examination and approval of machinery and equipment importation by the 14 coastal ports and cities shall follow the regulations prescribed in Guobanfa (1984) No 79.

V. Methods and Limit of Power of Examining and Approving Superior Quality National Products

A. Examination and Approval of Superior Quality National Products

Originally, regulations provided that the State Commission for Examining and Approving Awards shall be in charge of examination and approval of superior quality national products. This has been changed so that now each year the State Commission allocates a set number of superior quality national products to departmental, industrial and trade committees for examination and approval, to be reported to the State Commission for ratification.

International standards must be adopted for superior quality national products (except products with special Chinese characteristics); after undergoing inspection and approval at inspection organizations empowered by the state, products should meet advanced international quality levels of the last 3 to 5 years. Departmental, industrial and trade committees shall implement rigorous inspections and approvals in accordance with requirements and procedures prescribed in regulations when reporting on superior quality national products.

B. Scope of Superior Quality National Products

Superior quality national products shall be selected from among products which have an important bearing on the national economy. Of the general run of products, only those of superior quality from departments shall be screened and selected. The actual scope of products shall be determined by the departments, industries and trades themselves.

C. Gradually Turning the Screening and Selection of Superior Quality National Products Into a Scientific and Regular Practice

It is necessary to quicken the reinforcement and construction of national-level testing and inspection centers for major products, and to gradually build up a set of scientific methods for sampling, testing, checking and evaluating products.

D. Intensifying the Supervision and Control of Superior Quality National Products

Departments and regions shall intensify work in management and supervision of superior quality national products. In the event that product quality has deteriorated, timely remedial measures shall be adopted, and a time limit set for improvement. If necessary, the designation of 'superior quality national product' can be removed, and criticism carried in circulars.

VI. For coastal cities open to the outside; cities approved by the State Council for experimental comprehensive reform; cities with individually-listed strategies; industries and trades (corporations) entering into input-output contracts; and for Guangdong and Fujian Provinces, the special economic zones and the Hainan Administrative District, whose power of examination and approval have been separately prescribed by the State Council, the regulations prescribed in the relevant documents of the State Council shall apply.

RULES FOR TECHNOLOGICAL PROGRESS IN STATE-RUN ENTERPRISES

Beijing STATE COUNCIL BULLETIN in Chinese No 5, 1 Mar 85 pp 109-112

[Provisional Regulations Concerning Certain Policies Aimed at Promoting the Technical Modernization of State Enterprises, Issued by the State Economic Commission, the Ministry of Finance, and the People's Bank of China (8 February 1985)]

[Text] Strengthening the vitality of enterprises is the central link in the current reform of the economic structure. For the purposes of encouraging technical modernization in state-run enterprises, speeding up the technical transformation of existing enterprises and enabling enterprises to gradually assume the capabilities of self-transformation and self-development, it is necessary, in addition to continuing the implementation of "The Provisional Regulations of the State Council on Further Extending the Decisionmaking Power of the State-Run Industrial Enterprises" ("Provisional Regulations of the State Council on Further Extending the Decisionmaking Power of the State-Run Industrial Enterprises," carried in Issue No 10, 1984 of this publication), to resolutely implement certain policies on promoting the technical modernization of these enterprises. Hence, the following regulations are made:

1. Enterprises Should Have Autonomous Power to Promote Technical Modernization

Under the guidance of technological policies and long-term plans formulated by the state and within the requirements of the plans and the demands of domestic and foreign markets, enterprises have the right to determine their own direction of technological development, and formulate plans for technical modernization. Administrative organs at various levels must fully respect and support this autonomous power and must be flexible in the employment of economic measures to provide adequate guidance. The banks, in accordance with the state plan and market conditions, have the power to decide on credit and loan business for enterprises and to strengthen the control of funds based on examining the level and results of the projects for technical modernization and the ability to repay loans.

II. Urging and Encouraging Enterprises to Improve Quality of Products

The policy of fixing prices according to quality and high prices for good-quality products should be enforced. It is necessary to formulate quality standards to fix prices for different grades of good-quality products. Products on which the policy of good prices for good-quality products is enforced must pass through technical assessment by units empowered by quality control departments to do so. Acting on the principle of spreading open price differences subject to differences in quality and enlarging the scope of good-quality high-priced products, commodity price control departments and the departments and regions in charge of industry shall formulate and approve fixed prices for superior quality products within their limits of authority over commodity price control and based on the applications of enterprises. Following approval by commodity price control departments, it is also possible to allow enterprises to not raise the prices on superior quality products in consideration of market conditions. Enterprises producing poor quality products or antiquated and backward products prescribed for elimination by the state, shall face punitive administrative and economic measures such as fines, reduced prices and having production stopped. Concrete measures shall be determined by departments and regions.

III. Supporting Enterprises To Carry Out Technological Development

The sources of technological development funds of enterprises are:

1) Production costs. Aside from the expenses that can be charged to cost as prescribed in the "Regulations on Cost Control of State-run Enterprises" ("Regulations on Cost Control of State-run Enterprises" carried in Issue No 6, 1984 of this publication), smaller outlays may be charged to the cost account for the year for test instruments, test equipment, and installations and key equipment for trial production which are valued at no more than 50,000 yuan per set or unit and are necessary for the development and manufacture of new products and for developing new technology. Larger outlays may be spread over new product development costs over the next 3 to 5 years, or over the cost of all products. If this method is adopted, then the system of levying 1 percent on the sales volume for technology development expense funds shall not be implemented, 2) The enterprises' self-owned funds, 3) appropriations from the state according to circumstances, and 4) banks granting low-interest or interest-discounted loans for technological development. To permit enterprises the capability to sustain technological development, new products trial-produced for the first time on a nationwide scale and included in trial-production plans of the State Science and Technology Commission and the State Economic Commission or appraised and confirmed by both commissions shall be exempted from the product tax and the value-added tax for 3 years starting from the date the trial-produced product is placed on the market. New products incorporated into trial production plans of State Council departments, autonomous regions and directly-subordinate municipalities and marketed during the trial production period shall be exempted from the product tax and the value added tax for 1 to 2 years depending on the situation.

IV. Fully Support the Technical Transformation of Large-Scale Key Enterprises

During the Seventh 5-Year Plan and early into the Eighth 5-Year Plan, it shall be necessary to bring the dominating positions of large enterprises into full play. It shall also be necessary to strive to basically complete the technical transformation tasks of large, key enterprises using methods revolving around the development of new products, new technology and new arts and crafts, the improvement of product quality and the reduction of energy and raw material consumption. Industries approved by the state to implement the input-output economic responsibility system include the petroleum, petrochemical, coal, nonferrous metal and postal and telecommunications industries and services. In addition, a number of large, backbone enterprises shall be selected in 1985 according to requirements of the Seventh 5-Year Plan which have good economic results but which urgently require technical transformation. A technical transformation program shall be examined and approved for each of these backbone enterprises, making certain that once the plan has been determined, the enterprises shall put it into practice over a long period of time. After obtaining the necessary experience, enterprises can step up to the next level of technology. Funds for the technical transformation of these enterprises shall be principally attracted through: 1) full utilization of the enterprises' own funds, 2) reappropriation of funds originally designated for new construction projects in conjunction with the compilation of the Seventh 5-Year Plan, and transferring these funds for use in strengthening the technical transformation and expansion of existing enterprises, 3) reliance on bank loans, 4) progressive increases in contracting implemented in tandem with increases in output with regard to the means of production. All enterprises meeting the state's allocation plan shall be permitted to market their own surplus products according to floating prices. Enterprises shall pay the product tax and income tax based on the actual sales prices of these self-marketed surplus goods, but shall be exempt from regulatory taxation; 5) exemption or reduction of a certain amount of regulatory taxes depending on conditions during the period of their transformation for enterprises which have poor loan-servicing capabilities and are definitely short of capital due to low current prices and small profits; 6) subject to the state's approval, drawing upon the state's foreign exchange holdings to create low-interest loans to purchase foreign exchange; 7) investments by departments, regions, and other enterprises in the form of compensation trade or other mutually-agreed upon method which involve leaping over other departments, regions and enterprises; 8) use of foreign capital, and 9) exempting industries from irrational allotments.

V. Raising the Depreciation Rate of Enterprises.

In 1985, a few large, backbone enterprises, key machine and electronic industries, the more than 1,100 light and textile enterprises in the 3-year export program and some of the industrial enterprises in coastal cities open to the outside except for Shanghai and Tianjin shall first be selected for increases in their depreciation rates according to the timetable for depreciation of fixed assets in separate categories sanctioned by the State Council. Other enterprises and trades shall subsequently have their depreciation rates gradually raised in separate years. In 1985, the depreciation rate shall be increased to around

500 million yuan. The actual list of enterprises and the methods to be employed shall be determined by the State Economic Commission and the Ministry of Finance. From 1985, the 30 percent of the depreciation funds originally collected by the state shall no longer be remitted to central government finance but shall be earmarked for appropriate use by departments and regions in charge and shall be exempted from the levy for major energy and transportation project construction funds; the portion retained by enterprises shall continue to be subject to the levy for major energy and communications project construction funds. Materials from the (?Materials Resources Department) shall continue to be subsidized on the basis of base figures for 1984.

VI. Liberalizing Conditions for Enterprises to Create Superior Products, Develop Technology, Transform Techniques and Import Technology

The principal measures are: ;) For enterprises which do not possess self-owned funds but must be transformed, departments in charge shall seek the bank's consent to liberalize the requirement that applicants for loans must have self-owned funds; 2) in projects where benefits to society far outweigh benefits to the enterprise itself, such as projects in energy conservation, permission may be granted to extend the loan repayment period to 7 years, or possibly higher in individual cases; 3) on technical transformation projects, only the construction tax shall be levied on the amount invested in the construction portion of the project.

VII. Enlivening the Technology Market and Speeding Up the Transfer of Technology

The development of various channels of trade in technology and various forms of technology transfer between enterprises and between enterprises and institutions on scientific research shall be promoted. Cities with the necessary conditions must energetically strengthen technical consulting and information services and actively establish technology centers. Technology transfer should in general be on a compensatory basis, and the fees for compensatory transformation should be based on consultations between both parties on the principles of volition and mutual benefit. For matters related to technology transfer, the "State Council Provisional Regulations on Transfer of Technology" ("State Council Provisional Regulations On Transfer of Technology" carried in Issue No 3, 1985 of this publication) shall apply.

VIII. Promoting the Introduction of Foreign Advanced Technology

The introduction of foreign technology may be in many forms such as integration of technology and trade, cooperative development, cooperative planning or cooperative production. Following approval by the State Economic Commission, whole-set equipment and parts thereof required for import under the form of integration of technology and trade shall enjoy the benefits of reduction in customs excise and taxes on industrial and commercial products as provided for under the State Council Guo Fa Document (1984) No 44. Machinery and equipment, instruments and meters which must be imported by the enterprises for the purposes of creating superior products, and developing, transforming and importing technology shall, following provisions in the tax laws of the state, enjoy

exemption or reduction of import customs excises and products tax (or value-added tax). Importation of technology and equipment (except for airplanes, vehicles and ships) by communications units, ports, railways, highways and airports shall also enjoy the same preferred treatment in taxes accorded to technical transformation projects. Some large backbone projects which have the necessary conditions shall be selected first and, following approval by the state, be given the power and authority of expanding the technology transfers, absorbing and utilizing foreign capital, and negotiating and signing agreements with the outside.

IX. Strengthening Development of Intellectual Resources

Turning enterprises in the direction of being operational and developmental depends mainly on the availability of talent. The cost of training technical personnel may be charged to the costs account. Training costs of services performed in projects to produce a certain superior product, develop technology, transfer technology and transform technology, including training expenses abroad, may be charged to project funds. Large enterprises which establish training centers or cities and towns, and industries and trades which establish training centers for small- and medium-size enterprises shall first arrange for their capital from self-raised funds. Depreciation fund refunds and local liquid financial resources may also be used to provide suitable financial assistance.

X. Rigidly Enforce An Award and Punishment System on Top of the Foundation of a Perfect Economic Responsibility System

All projects for the promotion of the technological progress of the enterprises shall carry out the "four (fixes)" and "four contracts," namely, fix technological targets, fix work procedures, fix cooperation relations and fix personnel responsibilities; contract on amount of investment, contract on construction period, contract on quality and safety and contract on economic results. Enterprises which have completed the contracts ahead of schedule and have achieved economy in the use of funds shall be encouraged and awarded by departments and regions; enterprises which have failed to complete their projects according to schedule shall be criticized, according to circumstances, by departments and regions or be subjected to a certain degree of economic sanction. Starting from 1985, encourage enterprises to promote technical modernization, a national-level awards for technical modernization, for enterprises, to award those units with outstanding contributions in the fields of modernization of technology, modernization of management and modernization of talent. The State Economic Commission shall work out the screening and selection requirements and methods of examination and approval.

In regard to the above 10 policy regulations, regions and departments shall formulate detailed enforcement rules considering actual conditions.

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